

THE COUNTY OF LANARK

COMMUNITY SERVICES COMMITTEE

September 7, 2022

Report #SS-15-2022
of the Director of
Social Services

Affordable Housing Capital Grant Program

1. STAFF RECOMMENDATIONS

THAT, the Community Services Committee recommend to County Council that the Report #SS-15-2022, be received as information;

AND THAT, the Affordable Housing Capital Grant Program be approved as presented;

AND THAT, a recommendation to fund the Affordable Housing Capital Grant program be brought forth at 2023 budget deliberations.

2. PURPOSE

The purpose of this report is to propose an Affordable Housing Capital Grant Program to be implemented in Lanark County and the Town of Smiths Falls in January 2023 following budget approval. This grant is recommended under the County's Municipal Tools to Support Affordable Housing Report.

3. BACKGROUND

In April 2022, Council adopted the Municipal Tools to Support Affordable Housing Report. The report contains 44 recommended actions, categorized under policy and regulations, funding, partnerships, and awareness and advocacy. Under the funding category action 25 recommends establishing an Affordable Housing Fund to finance incentives and other initiatives related to affordable housing. Action 28 recommends developing an affordable housing incentive program to encourage the development of affordable rental housing.

Action 34 suggests examining the feasibility of providing a small grant to homeowners who rent out homes which are currently vacant or have

been in the last two years. The currently proposed grant program does not consider this an option.

4. DISCUSSION

Service Managers across the province have varying locally developed and funded affordable housing capital grant programs. Some Service Managers do not have a capital grant program. The below table provides a few examples of other programs.

Service Manager	Population (approx.)	Program Description
City of Kingston (Frontenac County)	165,000	Program is municipally funded but follows strict OPHI guidelines; grants are \$15,000; ARU program limited success due to strict criteria
Leeds and Grenville	100,000	Program implemented in 2022
Simcoe County (Barrie and Orillia)	500,000+	Average of 9 OPHI ARU grants and 25 municipal grants per year at \$30,000 each. Municipally funded program more successful as OPHI rules are too restrictive
Northumberland County	85,000	\$1M from County reserves; open to anyone building affordable housing; \$20,000 loan, 25-year affordability period, rent at 100% of AMR; launched in 2021 following completion of Affordable Housing Strategy

5. ANALYSIS AND OPTIONS

The program is designed to help cover the capital costs associated to the following types of projects:

- New purpose-built rental housing construction
- Acquisition and/or rehabilitation of existing residential buildings to increase or prevent the loss of affordable housing stock (e.g. a single home converted to two units, an apartment building in disrepair)
- Conversion of non-residential buildings or units to purpose-built affordable residential rental buildings or units (e.g. a commercial building converted to rental housing)
- Addition of new affordable buildings or units to existing residential

and non-residential buildings (e.g. adding a rental housing unit above a store)

- Social/affordable housing redevelopment which involves building new affordable units on existing social housing sites
- Secondary suites or additional residential units (e.g. coach house or apartment over a garage) that are being rented out and where the homeowner lives in the primary dwelling

The suggested program is a grant in the form of a forgivable loan registered on title of up to \$25,000 per unit of affordable housing created. The loan is forgivable over a 15-year period, inclusive of a 5-year transition period. During the phase out, market rents can be charged when the units become vacant, subject to provincial legislation. Lanark County property owners, community agencies, and non-profit and for-profit residential developers who are planning to build new affordable rental units or convert non-residential building to new affordable rental units may be eligible to receive funding. Homeowners who are planning to build an additional residential unit at their occupied home which will be rented out may also be eligible.

The unit rent must be at or below 100% of the Lanark County Average Market Rent (AMR) for a unit of that size where utilities are metered separately for each tenant. AMR is set for one and two-bedroom units by CMHC and provided to the County by MMAH. In the case where the monthly rent includes the cost of all three utilities (heat, hydro and water) the allowable monthly rent can be increased by \$100 over AMR. In 2022, the AMRs for Lanark County by unit size are as follows.

Unit Size	100% AMR	Maximum Rent if Utilities Included
Bachelor	\$864**	\$964
One-Bedroom Unit	\$864*	\$964
Two-Bedroom Unit	\$1100*	\$1200
Three+ Bedroom Unit	\$1100**	\$1200
Source: *CMHC as provided by MMAH ** Data not provided by MMAH and value set by Lanark County AMRs are updated on an annual basis		

The affordable unit must be rented to an individual with a household income below the Household Income Limits prescribed in O.Reg. 370/11, s. 2(2) and assets below the County's affordable housing asset limit. County staff will verify annually that the rent charged by the landlord remains at or below the affordable rate outlined above.

6. FINANCIAL IMPLICATIONS

The affordable housing capital grant program would be 100% municipally funded. An initial investment of \$100,000 would allow for up to the creation of 4 units. Due to development timelines an approval may happen in one year and project expenses carry over into the following year. Therefore, unspent funds from year to year would remain allocated to the program.

7. LOCAL MUNICIPAL IMPACT

Units approved under the program will receive a conditional approval letter from County staff. This letter will confirm that County staff will be monitoring the unit for ongoing affordability compliance. During consultations with local municipal staff ongoing affordability monitoring was a primary barrier to offering affordable housing incentives at the local level from a staff perspective.

8. CONCLUSIONS

The Affordable Housing Capital Grant Program is designed to incentivize Lanark County landlords, property owners, and developers to create an affordable housing unit.

9. ATTACHMENTS

Lanark County Affordable Housing Capital Grant Program Guidelines

Recommended By:

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Director of Social
Services

Approved for Submission By:

Manager Approval By:

Kurt Greaves
Chief Administrative
Officer



Affordable Housing Capital Grant

Program Guidelines

September 2022

1.0 Introduction

Lanark County Council approved the Affordable Housing Capital Grant Program with the goal of increasing the supply of affordable rental housing in Lanark County. The program will help achieve the goals of the County's 10-Year Housing and Homelessness Plan.

The County will provide financial contributions to projects that create affordable rental housing units. County Council has allocated municipal funds to this program.

2.0 What is Affordable Rental Housing?

For this program, affordable rental housing is housing in which the maximum monthly rent is less than or equal to the established average market rents (AMRs) in Lanark County. This is different from subsidized (rent-geared-to-income) housing; a program where households pay no more than 30 per cent of their gross monthly income on rent.

In the case where the monthly rent includes the cost of all three utilities (heat, hydro, water) the allowable monthly rent can be increased by \$100 over the allowable AMR. Where utilities are metered separately for each unit and residents are required to pay the utility costs directly, the maximum monthly rent is set at AMR.

In 2022, the AMRs for Lanark County by unit size are as follows:

Table 1: Affordable Rents: Lanark County 2022

Unit Size	100% AMR	Maximum monthly rent if utilities are included
Bachelor	\$864**	\$964
One-Bedroom Unit	\$864*	\$964
Two-Bedroom Unit	\$1,100*	\$1,200
Three+ Bedroom Unit	\$1,100**	\$1,200
Source: * Data provided by the Ministry of Municipal Affairs and Housing		
** Value set by Lanark County where there is no data, approved by the Ministry of Municipal Affairs and Housing		

Note: AMRs are updated on an annual basis. Rents for affordable units under this program must stay at the affordable level for the term of the agreement.

3.0 What is the Affordable Housing Capital Grant Program?

The Affordable Housing Capital Grant Program provides funding in the form of a forgivable loan of up to \$25,000 per unit for affordable rental housing created. The program provides the following financial and in-kind assistance to selected applicants:

- A forgivable loan for capital expenses of up to \$25,000 per unit for projects with rent limits in place for 15 years (inclusive of a 5-year phase out period).
- A letter of support with conditional approval for one year; an extension can be provided under certain circumstances and is subject to staff discretion.
- Other incentives may be provided, such as a waiver or grant in lieu of development charges and property taxes (under the County's Affordable and Rental Housing Policy).

The forgivable loan and any other assistance will only be provided for the eligible affordable rental housing units in a project. Additional conditions, including affordable rents that are lower than the identified average market rents (AMRs), may be required if other incentives are provided by the County.

Note that any planning approvals required, such as a municipal Official Plan amendment, subdivision plan, land severance and consent, zoning by-law amendment, minor variance, and site plan application, as well as building, plumbing, and septic system permits, are the purview of the member municipality. As such, it is the responsibility of the applicant to obtain approvals and permits from the member municipality. Approval under the Lanark County Affordable Housing Capital Grant Program does not guarantee approval of the planning applications. The planning applications are subject to the full review process and must meet the County and member municipality's planning objectives and requirements.

4.0 Who Should Apply?

Lanark County property owners, community agencies, non-profit and for-profit residential developers who are planning to build new affordable rental housing units or convert non-residential buildings to new affordable rental housing units may be eligible to receive funding. Homeowners in Lanark County who are planning to add a secondary unit in their owner-occupied home that will be rented out may also be eligible.

Projects must meet all program criteria to be considered eligible for the Affordable Housing Capital Grant Program.

Types of Eligible Projects:

The program is designed to help cover the capital costs associated to the following types of projects:

- New purpose-built rental housing construction.
- Acquisition and/or rehabilitation of existing residential buildings to increase or prevent the loss of affordable housing stock (e.g. a single home converted to two units, an apartment building in disrepair).

- Conversion of non-residential buildings or units to purpose-built affordable residential rental buildings or units (e.g. a commercial building converted to rental housing).
- Addition of new affordable buildings or units to existing residential and non-residential buildings (e.g. adding a rental housing unit above a store).
- Social/affordable housing redevelopment which involves building new affordable units on existing social housing sites.
- Secondary suites or additional residential units (e.g. coach house or apartment over a garage) that are being rented out and where the homeowner lives in the primary dwelling.

For this program, a rental unit is any living accommodation used or intended for use as rented residential premises and is self-contained (has its own bathroom and kitchen facilities).

Location

The proposed project must be in Lanark County or the Town of Smiths Falls.

Length of Affordability

Rents for the affordable units receiving the forgivable loan must be maintained at the affordable level (100% AMR for the current year) for a minimum period of fifteen (15) years inclusive of a five (5) year phase out. During the phase out, market rents can be charged when the units become vacant, subject to provincial legislation.

If rents for occupied affordable rental units are increased beyond the provincial rent increase guideline, or beyond the affordable level (100% AMR for the current year) for vacant affordable rental units before the end of 15 years from the signing of the agreement, the entire amount of the forgivable loan received will be payable.

If the affordable unit is left vacant for an amount of time deemed unacceptable by the County, the entire amount of the forgivable loan received will be payable.

Rental Tenure

Eligible projects are affordable rental housing where there is a landlord-tenant relationship and tenants are recognized by the *Residential Tenancies Act, 2006* or in non-profit housing cooperatives recognized by the *Co-operative Corporations Act*.

Affordable rental units receiving the forgivable loan must be maintained as rental units for a minimum period of 15 years. If the units are converted to another tenure, such as ownership or condominium tenure, before the end of 15 years from the signing of the agreement, the entire amount of the forgivable loan received will be payable.

Selection of Residents

The gross household income of residents in the affordable rental housing units shall not be more than the maximum income limits prescribed in the *Housing Services Act*. The maximum household income limits are updated on an annual basis. The landlord must follow the County's requirements for tenant selection, income verification for the first year of residency (when the tenant applies for the housing unit), reporting, and overall administration of affordable rental housing units.

Table 2: Maximum Gross Annual Household Income for Residents of Affordable Rental Housing Units	
Household Size	Gross Annual Household Income
One Person Household	\$34,000
Two Person Household	\$40,500
Three Person Household	\$45,000
Four+ Person Household	\$59,500
Note: The income limits are based on one, two, three and four+ bedroom Housing Income Limits prescribed in the <i>Housing Services Act</i> .	

Tenant asset levels must not exceed the County's policy on Affordable Housing Asset Limits at the time the tenant applies to the unit.

Additional Requirements

Homeowners applying for funding to build a secondary suite or additional residential unit must also meet the following criteria:

- The homeowner must be a Canadian citizen, landed immigrant, or have refugee claimant status.
- Property taxes, insurance and mortgage payments must all be up to date.
- Insurance coverage for the full market value of the home must be current.
- The home must be deemed structurally sound to accommodate the renovation (based on the permit issued by the municipal Building Department).
- Zoning must be in place to allow the secondary suite or additional residential unit.

Applicants to convert a non-residential use to purpose-built rental housing, to renovate/rehabilitate existing purpose-built rental units, and/or to add purpose-built rental housing units to an existing building must also meet the following criteria:

- The existing building must be deemed structurally sound to accommodate the renovation (based on the permit issued by the municipal Building Department).
- Zoning must be in place to allow for the addition of the purpose-built rental unit to an existing residential or non-residential building.

- Property taxes, insurance and mortgage payments must all be up to date.

The County reserves the right to prioritize funding in any given year based on the uptake of the program. Funding may be prioritized based on the depth of affordability, accessibility features that go beyond Ontario Building Code requirements, location of the project, how the project meets the local needs of the community and the County as a whole, construction readiness, size of the project, and other criteria as deemed appropriate by the County at the time to address community needs.

5.0 Application and Review Process

To apply for the Affordable Housing Capital Grant Program:

1. Schedule a pre-application meeting with County staff to determine if the proposed project is eligible for the program and to obtain the forms for the required documentation.
2. Complete and submit the application and ensure all the required documentation is included. There is no fee to apply. Application forms are available online and at the County offices. The following must be included in the submission:
 - a. Details of the proposed project (including the location, total number of residential units, number of affordable rental units, and unit mix/size of affordable rental units).
 - b. Development qualifications of the applicant (e.g. previous experience of applicant or applicant's contractor in building housing).
 - c. Management qualifications (if the proposed project is a purpose-built rental building with four (4) or more units).
 - d. Project design and consistency with the County's and member municipality's planning principles.
 - e. Development schedule.
 - f. Capital and operating financial plans, including cost of construction and other sources of funding.
 - g. Community consultation and communications outreach plan (if the proposed project is a purpose-built rental building with four (4) or more units).
 - h. How the project meets the local affordable and rental housing needs of the member municipality – reference the [affordable housing targets](#) identified for each member municipality and Lanark County.
 - i. Any additional funding from other programs, including funding from the federal, provincial and member municipal governments.
 - j. Photos of the existing building prior to the renovation or conversion (if the proposed project is for the renovation or conversion of an existing residential or non-residential building or for a secondary suite or additional residential unit in an existing home).

- k. Orders for repairs required by local building officials/fire department, if applicable.
 - l. Rental plan e.g. how the project will be advertised and how residents will be selected. If the proposed project is a secondary suite or additional residential unit to be rented out to a family member or friend of the applicant, the applicant must clearly state the relationship, the potential renter's total household income, where they are currently living, and the reason for moving to the secondary suite or additional rental unit.
3. Applications and supporting documentation will be reviewed by County staff to ensure they meet all the eligibility requirements. Applicants will be informed in writing if their application does/does not meet the eligibility requirements.

As part of the review, County staff may also consider whether the project meets the identified local housing needs and affordable housing targets, and whether the applicant has secured funding from other sources (e.g. federal/provincial programs, local municipal incentives). Note that a project that has been granted funding from other programs does not necessarily mean it will receive funding from the Affordable Housing Capital Grant Program.

4. County staff may request additional supporting documentation, request a clarification, and/or perform a site visit and inspection of the subject property, as necessary.
5. Successful applicants will be informed in writing and provided with a conditional letter of approval, applicable for one year from the date of approval and conditional on the applicant receiving all necessary planning and building permit approvals from the member municipality. An extension can be provided under certain circumstances and is subject to staff discretion. The decision will be considered final, there are no appeals.
6. The applicant must provide County staff with a timeline for obtaining planning approvals and completing construction.
7. Upon receipt of all required planning approvals from the member municipality and the County, the applicant will provide County staff with an updated construction schedule, updated estimates of construction cost, and confirmation of funding which equals the total estimated construction cost, including all funding sources (e.g. equity, line of credit from bank, loan, funding from provincial and federal programs, etc.).
8. Within sixty (60) days following the receipt of all planning approvals, the successful applicant(s) will sign an agreement with the following:
- a. The term of the agreement.

- b. The number of affordable rental housing units provided.
- c. Requirement that each unit meets the definition of affordable rental housing.
- d. The monthly rent and occupancy costs which can be charged for each rental housing unit for the first year of the term and the mechanism by which such monthly rent and occupancy costs may annually increase and the restrictions on such annual increases to provide for the maintenance of the depth of affordability for the term of the agreement.
- e. A provision whereby housing units subject to the agreement shall not be rented to the applicant/housing provider, shareholders, or directors of the applicant/housing provider, on any individual not at arm's length to the applicant/housing provider, unless the applicant/housing provider is a non-profit co-operative as defined in the Co-operative Corporations Act, 1990 or is a not-for-profit corporation or unless otherwise agreed to by the County.
- f. If the affordable housing unit is to be rented out to a family member or friend of the applicant, provisions whereby a formal landlord-tenant relationship will be in place and that the unit will continue to be rented out at the affordable rental rate even if the applicant's family member or friend moves out of the unit.
- g. A requirement that tenants will be selected in accordance with any policies adopted by the County and where possible shall be low- or moderate-income households.
- h. A provision that the applicant/housing provider will be responsible for tenant income verification for the first year of tenancy.
- i. A requirement that the agreement will be registered on title.
- j. A provision whereby the agreement will be binding on the applicant's/housing provider's heirs, successors and assignees.
- k. A condition that if the affordable rental units under the agreement are sold during the period of the agreement, the purchaser will be required to enter into an agreement with the County. If the purchaser is unable to meet the requirements of the agreement, the full amount of the forgivable loan and any other incentives provided by the County will be payable to the County.
- l. A list of the benefits being conveyed to the applicant/housing provider.
- m. A requirement that if the applicant/housing provider does not carry out its obligations under the agreement, the entire amount of the benefits conveyed under the agreement, including the full amount of the forgivable loan and any other incentives provided by the County will be payable to the County.
- n. A communication protocol with the County related to the services provided under the agreement for the purpose of project monitoring, enforcement, and public announcements.
- o. Annual reporting and auditing requirements for projects with three (3) or less units, including the following:
 - i. Initial Occupancy Report.
 - ii. Annual Occupancy Report.

- iii. Information on the household income and household composition of residents in each of the affordable rental units for the initial year of tenancy.
 - iv. The requirement to retain all books, accounts, records (including records related to rent collection and tenant income and eligibility requirements), receipts, vouchers, and other documents that pertain to the project for a period of not less than seven (7) years from the end of each fiscal year of the project.
 - v. The requirement to cooperate with the County in conducting an operational review or audit at any time during the length of the affordability period.
 - p. Annual reporting and auditing requirements for projects with four (4) or more units, including the following:
 - i. Initial Occupancy Report.
 - ii. Annual Vacancy and Arrears Report.
 - iii. Annual Occupancy Report.
 - iv. Information on the household income and household composition of residents in each of the affordable rental units for the initial year of tenancy.
 - v. The requirement to retain all books, accounts, records (including records related to rent collection and tenant income and eligibility requirements), receipts, vouchers, and other documents that pertain to the project for a period of not less than seven (7) years from the end of each fiscal year of the project.
 - vi. The requirement to cooperate with the County in conducting an operational review or audit at any time during the length of the affordability period.
 - q. Other terms and conditions as required.
9. The full amount of the forgivable loan under this program will be provided for projects with three (3) or less units once a building permit has been issued by the member municipality. For projects with four (4) or more units, 50% of the full amount of the forgivable loan under this program will be provided once a building permit has been issued by the member municipality and the remaining 50% of the forgivable loan will be provided at occupancy.

No cash advances will be issued. The County has a right to alter the payment schedule outlined above.

Approval under the Affordable Housing Capital Grant Program does not guarantee approval of planning application(s). Planning application(s) are subject to a full review process and must meet the County and member municipality's planning requirements.

The County retains the right to audit projects once they are completed and to recover funds provided through this program if the program funding provided exceeds the total cost of construction.

There is no fee to apply to this program; however, the applicant is responsible for all associated planning and building permit fees and charges.